

PUBLIC DISCLOSURE

August 15, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BOSTON PRIVATE BANK & TRUST COMPANY

24811

**10 POST OFFICE SQUARE
BOSTON, MASSACHUSETTS 02109**

**Division of Banks
1000 Washington St, 10th Floor
Boston, Massachusetts 02118**

**Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, New York 10118**

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
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TABLE OF CONTENTS

I.	Institution Rating	
a.	Overall Rating	1
b.	Summary of Major Factors Supporting Rating	1
c.	Performance Test Rating Table.....	2
II.	Institution	
a.	Description of Institution.....	3
b.	Description of Assessment Area	4
c.	Scope of Examination	7
d.	Conclusions with Respect to Performance Tests.....	8
III.	Appendix	
a.	Scope of Examination Table	A-1
b.	Glossary.....	A-2
c.	Fair Lending (Massachusetts Division of Banks)	A-5

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Boston Private Bank & Trust Company ("Boston Private" or the "Bank")** prepared by the Division and the FDIC, the institution's supervisory agencies as of June 13, 2011. The agencies evaluate performance in the assessment areas(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00. The FDIC rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

INSTITUTION'S CRA RATING: The institution is rated "Outstanding."

An institution in this group has an excellent record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Large bank CRA examination procedures were utilized for this evaluation. The assigned rating is based on the results of three performance tests: the Lending Test, the Investment Test, and the Service Test. The Bank's performance under each of these tests is summarized below:

***Lending Test:* The institution's Lending Test performance is rated "Outstanding."**

- Overall, the Bank's home mortgage, small business, and community development lending activity reflects excellent responsiveness to assessment area credit needs considering the size of the institution, loan portfolio composition, and high level of competition within its designated assessment area.
- The Bank originated a high percentage of its home mortgage and small business loans within its assessment area, both in terms of the number of loans and the dollar volume.
- Overall, Boston Private's geographic distribution of home mortgage and small business loans reflects excellent dispersion throughout the assessment area when compared to assessment area demographics and aggregate lending performance in 2009.
- Overall, the distribution of the Bank's home mortgage and small business loans reflects excellent penetration among borrowers of different income levels and businesses of varying sizes. The distribution of home mortgages by borrower income, compared to assessment area demographics and aggregate lending performance, demonstrates the Bank's commitment to, and success in, extending credit to borrowers of all income levels, especially those of low- and moderate-income. The record of extending small business loans by size of business and by loan amount demonstrates a good performance of making loans to small- and medium-sized businesses.

- Boston Private continues to demonstrate its leadership role in community development lending. The community development loans originated throughout the evaluation period have had a significant impact on the communities in which the loans were made. Several of the loans were utilized for the creation of affordable housing for low- and moderate-income individuals and in low- and moderate-income geographies.
- The Bank makes extensive use of innovative and flexible lending programs in order to serve its assessment-area credit needs. Several loan programs offered by the Bank are specifically tailored to assist low- and moderate-income individuals in attaining homeownership by offering below-market interest rates with flexible underwriting guidelines.

INVESTMENT TEST: The institution's Investment Test performance is rated "Outstanding."

- Boston Private has an excellent level of qualified community development investments. The Bank's qualified investments demonstrate an excellent responsiveness to the area's economic development needs. In addition, the Bank makes significant use of innovative or complex investments to support community development initiatives.

SERVICE TEST: The institution's Service Test performance is rated "Outstanding".

- The Bank's delivery systems are accessible to essentially all portions of the assessment area. The Bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems. Services and hours of operations are tailored to meet the needs of the assessment area. In addition, the Bank is a leader in providing community development services.

LENDING, INVESTMENT, AND SERVICE TEST TABLE:

The following table indicates the performance level of Boston Private Bank & Trust Company with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	Boston Private Bank & Trust Company		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding	X	X	X
High Satisfactory**			
Satisfactory**			
Needs to Improve			
Substantial Noncompliance			
<p>* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.</p> <p>** FDIC rules and regulations stipulate use of a "high satisfactory" and "low satisfactory" rating for the three tests to categorize performance within a "satisfactory" range. For purposes of this jointly issued public evaluation, the term "satisfactory" will be used in lieu of the low satisfactory rating for the three tests.</p>			

PERFORMANCE CONTEXT

Description of Institution

Boston Private Bank & Trust Company is a state-chartered, stock-owned commercial bank headquartered in Boston, Massachusetts. The Bank is a wholly-owned subsidiary of Boston Private Financial Holdings, Inc., a three-bank holding company. Boston Private has two active subsidiaries, neither of which offers products or services to the general public. The Bank has two bank affiliates and six other affiliated companies by virtue of its holding company relationship. Please refer to Appendix A for the complete list of subsidiaries and affiliates.

Founded in 1987, Boston Private was established as a wealth management company to provide private banking, wealth advisory, and investment management services to the high net worth market place, selected institutions, key intermediaries, and private companies. Although established as a wealth management company, Boston Private developed a strong community banking orientation by offering retail deposit and loan products that appeal to a wide customer base, including those of low- and moderate-income. The Bank also demonstrated a positive commitment to the communities in which it operates through its community development lending, investments, and services.

Boston Private maintains its main office at Ten Post Office Square in Boston. The Bank operates eight additional branch offices, two in Boston and one each in Beverly, Cambridge, Hingham, Lexington, Newton, and Wellesley. The Bank also operates a loan production center in the Jamaica Plain neighborhood of Boston.

Boston Private has total assets of \$3.4 billion consisting principally of loans and securities. Total assets increased 24.1 percent since the prior FDIC CRA evaluation. The loan portfolio accounted for most of the asset growth, with loans secured by 1-4 family homes being the largest contributor. Asset growth has been funded primarily through an increasing deposit base and borrowings.

The Bank's primary business focus is lending. Loans total \$2.6 billion and account for 75.6 percent of total assets. Refer to Table 1 for information regarding the composition of the loan portfolio.

Table 1		
Loan Distribution as of March 31, 2011		
Loan Type	Dollar Amount \$(000's)	Percent of Total Loans
Construction and Land Development	71,623	2.7
Secured by Farmland	569	<0.1
1-4 Family Residential	1,330,727	50.6
Multi-Family (5 or more) Residential	99,341	3.8
Commercial real estate	530,328	20.2
Total Real Estate Loans	2,032,588	77.3
Commercial and Industrial	252,321	9.6
Consumer	105,731	4.0
Other	239,063	9.1
Total Loans	2,629,703	100.0
SOURCE: Report of Condition and Income (Call Report)		

As the data in Table 1 shows, the Bank is primarily a real estate lender. The greatest share of the real estate loan portfolio is secured by 1-4 family residences. These loans include closed-end mortgage loans (including junior liens) as well as revolving home equity lines of credit. Commercial real estate comprises the next largest share of the loan portfolio. The commercial real estate loans are typically collateralized by the properties used for the borrowers' businesses, such as small office buildings, warehouses, and retail facilities. Commercial and industrial loans also comprise a significant portion of the loan portfolio. These loans represent business purpose loans that are either unsecured or secured by assets other than real estate. Other miscellaneous forms of credit comprise the balance of the loan portfolio.

Boston Private's average loan-to-deposit ratio ("LTD") for the preceding 12 quarters (June 30, 2008 to March 31, 2011) was 107.2 percent. The ratio experienced narrow fluctuations, with a low of 97.5 percent in March 2010 and a high of 122.7 percent in September 2009. Boston Private consistently displayed a reasonable loan funding level, primarily through deposit growth.

The Bank operates in an extremely competitive lending market, considering that its delineated assessment area includes every census tract in the Greater Boston Area. There are at least 73 other financial institutions headquartered within the Bank's assessment area. The competition includes loan production offices, banks, mortgage companies, credit unions, and other entities seeking to originate home mortgage and small business loans in this market. Additionally, larger regional and national banks such as Bank of America, N.A.; RBS Citizens, N.A.; Salem Five Mortgage Co., LLC; and TD Bank, N.A. have a presence within the Bank's assessment area and contribute to the high level of competition.

CRA procedures mandate the identification of "similarly situated" lenders with which Boston Private's lending record is compared. Within the Bank's delineated assessment area, there are no banks that are similar in terms of asset size, business focus, and branch structure. While Boston Private competes with many local and regional financial institutions for loans and deposits, only extremely large national financial entities compete on a State-wide basis. These institutions do not meet the similarly situated definition for comparative purposes. The lack of similarly situated financial institutions was also confirmed utilizing an FDIC financial institution database.

To further demonstrate assessment area competition, in 2009, 705 lenders reported 228,243 home mortgage loans totaling \$66.7 billion within the Bank's assessment area. In 2009, 126 lenders reported 76,526 small business loans totaling approximately \$2.6 billion within the Bank's delineated assessment area.

The FDIC last evaluated the Bank's CRA performance on February 5, 2008 and assigned a rating of "Outstanding." The Bank was also evaluated as a large bank at the prior evaluation.

There are no apparent financial or legal impediments that would limit Boston Private's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to meet the community's credit needs remains strong.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. Boston Private's assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions; (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a

substantial portion of its loans; (3) consists of whole census tracts; (4) does not extend substantially beyond state boundaries; (5) does not reflect illegal discrimination; and (6) does not arbitrarily exclude low- and moderate-income areas.

Boston Private has defined its assessment area to include the City of Boston and 78 contiguous cities and towns in the Greater Boston area. The assessment area is a large geographic area that extends roughly to Route 128 to the south and to I-495 to the west and north. The assessment area includes all of Suffolk County and portions of Essex, Middlesex, Norfolk, and Plymouth counties. The assessment area falls entirely within the Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area (“MSA”). Listed below are the communities that comprise the assessment area grouped by the Metropolitan Division (“MD”) in which they are located:

- **Boston-Quincy, MA MD:** Boston, Braintree, Brookline, Canton, Chelsea, Cohasset, Dedham, Dover, Hanover, Hingham, Hull, Marshfield, Milton, Needham, Norwell, Norwood, Quincy, Randolph, Revere, Rockland, Scituate, Wellesley, Westwood, Weymouth, and Winthrop.
- **Cambridge-Newton-Framingham, MA MD:** Acton, Arlington, Bedford, Belmont, Billerica, Burlington, Cambridge, Carlisle, Chelmsford, Concord, Everett, Framingham, Hudson, Lexington, Lincoln, Lowell, Malden, Marlborough, Maynard, Medford, Melrose, Natick, Newton, North Reading, Reading, Sherborn, Somerville, Stoneham, Stow, Sudbury, Tewksbury, Wakefield, Waltham, Watertown, Wayland, Weston, Wilmington, Winchester, and Woburn.
- **Essex County, MA MD:** Beverly, Danvers, Hamilton, Lynn, Lynnfield, Manchester, Marblehead, Middleton, Nahant, Peabody, Salem, Saugus, Swampscott, Topsfield, and Wenham.

The assessment area is highly diverse, with both urban and suburban characteristics. The City of Boston and its contiguous cities form the primary urban core of the assessment area. These communities are densely populated and contain most of the assessment area’s low- and moderate-income census tracts. With the exception of the City of Lowell, the communities outside of the immediate Boston area tend to be more suburban and even rural in character. These areas are primarily residential and are largely comprised of middle- and upper-income census tracts. Refer to Table 2 for pertinent demographic information concerning the assessment area.

Table 2 Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	619	8.9	25.7	40.9	24.3	0.2
Population by Geography	2,900,258	6.5	25.4	42.0	26.1	0.0
Owner-Occupied Housing by Geography	628,844	1.8	16.0	48.2	34.0	0.0
Business by Geography	272,128	9.0	17.5	40.6	33.8	0.0
Family Distribution by Income Level	692,561	21.8	17.8	21.6	38.8	0.0
Distribution of Low and Moderate Income Families throughout AA Geographies	274,133	11.0	35.3	39.7	14.0	0.0
Median Family Income		\$67,007	Median Housing Value		\$250,140	
HUD Adjusted Median Family Income for 2009		\$88,506	Unemployment Rate		2.4%	
Households Below Poverty Level		10%				
SOURCE: 2000 U.S. Census Data and 2009 HUD updated MFI						

As the data in Table 2 shows, the area is comprised of 619 census tracts, including 55 low-, 159 moderate-, 253 middle-, and 151 upper-income census tracts. The area also has 1 “NA” census

tract that has not been assigned an income classification. Generally speaking, the low- and moderate-income census tracts are most prevalent in the more urbanized portions of assessment area. For example, the City of Boston alone accounts for 34 of the low-income census tracts and 66 of the moderate-income census tracts. Most of the remaining low- and moderate-income census tracts are situated in cities such as Cambridge, Lowell, Lynn, and Somerville. The middle- and upper-income areas are widely distributed throughout the assessment area, but are most prevalent in the suburban communities outside of Boston and its neighboring communities. The assessment area's one "NA" census tract is comprised mainly of the Boston Harbor Islands National Recreational Area and has few residents and no owner-occupied housing. Consequently, this particular census tract will not be considered in this CRA evaluation.

As shown in Table 2, the assessment area has a total population of just above 2.9 million. The population tends to be most densely concentrated in the more urbanized communities in the assessment area. The City of Boston alone, for example, accounts for over 20 percent of the assessment area's total population. The population resides in approximately 1.2 million housing units, 53.5 percent of which are owner-occupied. The rate of owner occupancy varies within the assessment area by the degree of urbanization. For example, some census tracts within the cities of Boston and Lowell have owner occupancy rates below 5.0 percent. This contrasts with more suburban areas like Bedford, Tewksbury, and Westwood where the rate of owner occupancy is typically over 70.0 percent.

As shown in Table 2, the median housing value in 2000 for the assessment area was \$250,140. Like all of New England, the area's housing prices saw dramatic decreases in value. Recent statistics published by The Warren Group show that the median home sales prices in Boston decreased 51.4 percent from \$414,700 in 2007 to \$322,100 in 2011. Home sales prices in the assessment area have declined due to the nationwide downturn in the real estate market.

Numerous businesses operate throughout the area, most of which are concentrated in the middle-income census tracts, followed by the upper-, moderate-, and lower-income census tracts, respectively. According to 2009 Business Geodemographic Data, the area has 272,128 businesses in operation. The highest proportion of these business establishments are engaged in the service industry. Businesses involved in retail trade and finance, insurance, and real estate also make up a significant share of the establishments. Approximately 73.7 percent of the businesses are known to have revenues under \$1 million, and over half employ four or fewer people.

Representatives from two locally based non-profit organizations were contacted for additional insights into the area's community development needs. The contacts, a local community development corporation and State-wide community development organization, noted several community development needs. Themes that were prevalent across both contacts were the need for basic banking services, small business lending, first-time homebuyer education, and financial support for affordable housing development, redevelopment, and refinancing. The contacts also noted that financial institutions could help local community development organizations meet their goals by providing operating support in the form of grants and subsidies.

Based on the area's demographics and the insights gained through discussions with management and the community contacts, the assessment area has no one primary credit need. The area's residents need a variety of retail loan products to meet personal needs and an array of home financing programs for the purchase, construction, improvement, or refinance of a residence. The area's business base also requires numerous commercial credit options to meet a wide variety of financing purposes.

SCOPE OF EXAMINATION

Large Bank CRA examination procedures were used to evaluate Boston Private's CRA performance. The Large Bank CRA examination procedures evaluate the Bank's CRA performance pursuant to three tests: Lending, Investment, and Services. The CRA evaluation considered activity from February 5, 2008 to June 13, 2011. The applicable timeframes for the loan product line reviews are described in the paragraphs that follow.

Boston Private Bank & Trust Company is primarily a residential lender based on discussions with management and a review of the Bank's balance sheet. Consequently, residential loan data was included in the CRA analysis and received the greatest weight in the overall CRA rating. The CRA evaluation includes an analysis of the residential loan data for 2009 and 2010. The residential loan data was obtained from the Loan Application Registers ("LARs") maintained by the Bank pursuant to the Home Mortgage Disclosure Act ("HMDA"). The LARs contain data about home purchase and home improvement loans, including refinancings, on 1-4 family and multi-family (five or more units) properties.

Boston Private is also an active small business lender; therefore, small business loan data was also included in the CRA Analysis. The CRA evaluation includes an analysis of the small business data for 2009 and 2010. Information concerning the small business lending was derived from the small business loan registers maintained by the Bank pursuant to CRA. Small business loans for purposes of this evaluation include commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less.

Consumer loans were not analyzed as part of this evaluation as these loans do not constitute a substantial portion of the Bank's loan portfolio. Farm loans were also not considered as the Bank does not engage in agricultural lending.

The CRA evaluation also reviewed community development loans, grants, and services for the period February 5, 2008 through June 13, 2011. Qualified community development equity investments and deposits held by the Bank were also included regardless of investment date. The investments were valued at the March 31, 2011 book value.

Demographic information referenced throughout the evaluation was obtained from the 2000 United States (U.S.) Census, unless otherwise noted.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The Lending Test evaluates the institution's record of helping to meet the credit needs of its assessment area by considering an institution's home mortgage, small business, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: (1) the volume of lending activity; (2) the proportion of lending within the assessment area; (3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area; (4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses of different sizes; (5) the volume of community development lending; and (6) the use of innovative or flexible lending practices.

Lending Activity

Boston Private's lending activity reflects an excellent responsiveness to the assessment area's credit needs. The Bank actively originates home mortgage and small business, and is a leader in the origination of community development loans in its assessment area.

Home Mortgage Loans

In 2009, the Bank originated 946 home mortgage loans totaling \$416.4 million in the assessment area. Home purchase loans represent the primary focus of the Bank's home mortgage lending and comprised 53.5 percent of the total number of loans. The Bank's active participation in "soft second" mortgage programs and the MassHousing programs has permitted the Bank to generate a substantial number of home purchase loans. Refinance loans accounted for most of the remaining loans at 43.9 percent. The decreasing interest rate environment over the past few years increased the demand for home refinance loans. Home improvement loans comprised only a small share of the lending. In fact, just 2.6 percent of the total loans were to fix, improve, or renovate a home. The low number of home improvement loans is mainly attributed to the fact that Boston Private does not have a product specifically for that purpose.

Market rank data for 2009 provides additional insight into the Bank's volume of home mortgage lending. In 2009, Boston Private ranked 37th among the 705 HMDA reporting lenders that originated home loans in the assessment area. The Bank had 946 loan originations for a 0.54 percent market share. Most of the lenders ranked higher than Boston Private were larger financial institutions and mortgage companies that operate on a regional or national basis.

In 2010, Boston Private originated 775 home loans; however the Bank's originations by total dollar amount remained strong and actually increased by 4.4 percent going from \$416.4 million in 2009 to \$433.6 million in 2010 in the assessment area. This increase is notable given the weaknesses in the housing market and the tightening of credit underwriting that occurred throughout the industry.

Small Business Loans

In 2009, Boston Private reported 264 small business loans within its assessment area totaling \$72.6 million. Small business loans are originated for a variety of business purposes such as working capital, business expansion, equipment purchases, and the purchase or refinance of commercial real estate.

Market rank data for 2009 provides additional insight into the Bank's volume of small business lending. In 2009, the Bank ranked 22nd among the 124 reporting lenders that originated small business loans in the counties that comprise the Bank's assessment area. Many of the lenders

ranked higher than Boston Private were credit card banks that originated numerous credit lines in lower dollar amounts. When ranked by total dollar volume, the Bank's rank improved to 9th among the reporting lenders.

In 2010, the Bank experienced a drop in the number of small business loan originations, having originated 168 small business loans, totaling \$51.9 million in the assessment area. The decline is attributed to the weakening economy and the high level of competition in the assessment area.

Community Development Loans

Boston Private Bank & Trust Company demonstrated a leadership role in the origination of community development loans within the assessment area. The community development loans originated throughout the evaluation period had a significant impact on the communities in which the loans were made. Several of the loans were utilized for the creation of affordable housing for low- and moderate-income individuals and in low- and moderate-income geographies. During the evaluation period, the Bank originated 93 loans, totaling \$229.4 million. This was a dramatic increase from the previous evaluation when the Bank originated 43 community development loans, totaling \$86.4 million. Given the needs of the assessment area and the weakened economy, the Bank's performance is considered excellent.

Assessment Area Concentration

This performance criterion determines what percentage of the Bank's lending occurs within the assessment area and evaluates its appropriateness. Based on a review of the home loan and small business loan data, a high percentage of the Bank's lending activity occurs in the assessment area. Refer to Table 3 for specific information concerning the distribution of loans inside and outside the assessment area.

Table 3										
Distribution of Loans Inside and Outside of Assessment Area										
Loan Type	Number Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	\$(000)
2009										
Home Purchase	461	82.8	96	17.2	557	143,559	76.0	45,256	24.0	188,815
Refinance	464	74.1	162	25.9	626	257,014	74.0	90,160	26.0	347,174
Home Improvement	21	61.8	13	38.2	34	15,803	59.4	10,823	40.7	26,626
2009 Total	946	77.7	271	22.3	1,217	416,376	74.0	146,239	26.0	562,615
2010										
Home Purchase	460	88.3	61	11.7	521	212,779	84.0	40,650	16.0	253,429
Refinance	292	78.1	82	21.9	374	201,067	70.0	86,052	30.0	287,119
Home Improvement	23	69.7	10	30.3	33	20,751	77.7	5,974	22.4	26,725
2010 Total	775	83.5	153	16.5	928	434,597	76.6	132,676	23.4	567,273
Total Home Loan	1,721	80.2	424	19.8	2,145	850,973	75.3	278,915	24.7	1,129,888
Small Business 2009	264	88.6	34	11.4	298	72,579	87.0	10,891	13.1	83,470
Small Business 2010	168	84.0	32	16.0	200	51,873	81.4	11,847	18.6	63,720
Total Small Business	432	86.7	66	13.3	498	124,452	84.6	22,738	15.4	147,190
Grand Total	2,153	81.5	490	18.5	2,643	975,425	76.4	301,653	23.6	1,277,078
SOURCE: HMDA LAR and CRA Small Business Loan Registers for 2009 and 2010										

Home Mortgage Loans

Table 3 shows that the Bank originated 1,721 home loans totaling approximately \$851 million in the assessment area during 2009 and 2010. This represents 80.2 percent of the total number of home loans originated by the Bank and 75.3 percent by dollar volume. The percentage of home loans in the assessment by number increased in 2010 compared to 2009.

Small Business Loans

Table 3 also shows that the Bank originated 432 small business loans totaling \$124.5 million in the assessment area during the review period. This represents 86.7 percent of the total number of home loans originated by the Bank and 84.6 percent by dollar volume. These percentages are excellent and compare well with what was achieved with the home lending. The proportion of small business lending in the assessment area decreased slightly in 2010 compared to 2009 by both number of loans and dollar volume.

Geographic Distribution

The geographic distribution of loans was reviewed to assess how well the Bank is addressing the credit needs throughout the assessment area. Special consideration is given to the lending in the low- and moderate-income areas. Based on the review of the HMDA LARs and the CRA Small Business Loan Registers, the geographic distribution of loans reflects excellent dispersion throughout the assessment area.

Home Mortgage Loans

The geographic distribution of the HMDA loans reflects excellent dispersion throughout the assessment area's low-, moderate-, middle-, and upper-income census tracts. Summarized in Table 4 is the distribution of HMDA loans by census tract income.

Table 4 Distribution of HMDA Loans by Census Tract Income									
Loan Category	# of Bank Loans	Percent of Bank Loans				Percent of Aggregate Lending			
		Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
2009									
Home Purchase	461	10.2	25.6	29.9	34.3	3.7	21.4	45.8	29.1
Refinance	464	3.0	6.7	19.8	70.5	1.5	10.8	45.5	42.2
Home Improvement	21	0.0	0.0	9.5	90.5	1.7	13.9	48.8	35.6
Total	946	6.5	15.7	24.5	53.3	2.0	13.4	45.7	38.9
2010									
Home Purchase	460	11.3	21.5	27.8	39.4				
Refinance	292	3.1	3.8	17.1	76.0				
Home Improvement	23	0.0	4.4	4.3	91.3				
Total	775	7.9	14.3	23.1	54.7				
Grand Total	1,721	7.1	15.1	23.9	53.9				
Demographics	#	Distribution of Housing							
		Low	Moderate	Middle	Upper				
Owner Occupied Units	628,844	1.8	16.0	48.2	34.0				
SOURCE: HMDA LARS for 2009, and 2010. HMDA Aggregate Data for 2009. Demographics from 2000 US Census Data									

As shown in Table 4, the Bank made 6.5 percent of home mortgage loans by number in low-income census tracts. This percentage is greater than both the percentage of owner-occupied housing units in low-income census tracts, at 1.8 percent, and the aggregate lending data at 2.0 percent. The 61 home mortgage loans extended in low-income geographies in 2009 ranks 8th in low-income census tract market share. The Bank increased its total home mortgage volume within low-income census tracts in 2010 and made 7.9 percent of all home mortgage loans within low income-census tracts, which is excellent compared to the percentage of owner-occupied housing units at 1.8 percent.

The Bank's level of lending within moderate-income census tracts, at 15.7 percent, exceeds the aggregate lending data (13.4 percent), and is slightly less than demographic data (16.0 percent). The Bank extended 149 home mortgage loans in moderate-income census tracts in 2009, ranking 22nd in moderate-income census tract market share. The penetration of home mortgage loans within moderate-income census tracts in 2010 (14.3 percent) is comparable to the Bank's performance in 2009. Given the highly competitive nature of the assessment area, the Bank's performance is noteworthy.

The following sections provide discussions by home mortgage loan purpose, including home purchase, refinance, and home improvement.

Home Purchase Loans

During 2009, Boston Private extended 10.2 percent of home purchase loans in low-income census tracts, which is excellent compared against the demographics (1.8 percent), and aggregate lending performance of 3.7 percent. Similarly, the Bank made 25.6 percent of its home purchase loans in moderate-income census tracts, which compares favorably against the demographics (16.0 percent), and the aggregate lending data at 21.4 percent. The Bank continued its strong performance into 2010.

Home Mortgage Refinance Loans

The Bank made 3.0 percent of total home mortgages refinance loans in low-income census tracts in 2009 and 3.1 percent in 2010. This performance is greater than the demographic data (1.8 percent) and the aggregate lending performance of 1.5 percent. The Bank extended 6.7 percent of total home mortgage refinance loans within moderate-income census tracts in 2009, and 3.8 percent in 2010. This level of lending within moderate-income geographies is less than the demographic data (16.0 percent), and is less than the aggregate data (10.8 percent).

Home Improvement Loans

The Bank did not make any home improvement loans in low- or moderate-income census tracts in 2009, whereas the aggregate lending data shows that 1.7 percent and 13.9 percent of all home improvement loans made in the assessment area were in low- and moderate-income tracts. The Bank extended 4.4 percent, of its home improvement loans in moderate-income census tracts during 2010, which is less than both the demographic data (16.0 percent) and aggregate lending data (13.9 percent). Little weight was given in this category, as home improvement loans make up such a small portion of the Banks mortgage lending activity.

As shown in Table 4 above, the Bank was particularly successful in placing home purchase loans in low- and moderate income census tracts. Overall, the percentage of total loans in the low-income census tracts was 7.1 percent which is excellent compared to the percentage of owner-occupied housing located in those areas.

Small Business Loans

The geographic distribution of the small business loans reflects a good dispersion through the assessment area. Summarized in Table 5 is the distribution of the small business loans by census tract income.

Table 5 Distribution of Small Business Loans by Census Tract Income									
Year	# of Bank Loans	Percent of Bank Loans				Percent of Aggregate Lending			
		Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
2009	264	15.9	6.4	27.3	50.4	5.1	15.3	43.7	35.9
2010	168	13.7	10.1	23.8	52.4				
Grand Total	432	15.1	7.9	25.9	51.1				
Demographics	#	Distribution of Businesses							
		Low	Moderate	Middle	Upper				
Businesses	272,128	8.0	17.5	40.6	33.9				
SOURCE: 2009 and 2010 CRA Small Business Loan Registers, 2009 Peer Small Business Data and 2009 Business Geodemographic Data									

As shown in Table 5, the Bank extended 15.9 percent of small business loans in 2009 within the low-income census tracts of the assessment area. This performance by number of loans is much higher than the aggregate lending data at 5.1 percent. Market share reports for small business loans made in 2009 for counties of which at least a portion is within the Bank's assessment area indicate that Boston Private rank 15th in terms of total market share throughout low-income census tracts.

The institution made 6.4 percent of small business loans in 2009 by number in moderate-income census tracts, which was less than the aggregate lending performance of 15.3 percent. The distribution of small business loans throughout low- and moderate-income geographies in 2010 is consistent with the Bank's performance in 2009.

Lending performance in the low-income census tracts is excellent given that the percentage of the Bank's loans in the low-income census tracts greatly exceeds the performance of the aggregate and the distribution of businesses. The strong performance in the low-income areas is attributed in part to the Bank's emphasis on developing relationships with the community development groups operating in the low- and moderate-income census tracts. Boston Private originated a comparatively low level of small business loans in the moderate-income areas. The lack of branch offices in the moderate-income census tracts hampers the Bank's ability to generate a higher volume of loans in those areas. To overcome this obstacle, the Bank is continuing to emphasize the development of relationships with community development groups in those areas and to increase its outreach activities in the low- and moderate-income census tracts.

Aggregate lending data for 2009 was used for comparison purposes. Overall, the Bank's distribution of loans in low-income census tracts was excellent; however, the aggregate managed to place a substantially higher proportion of its loans in the moderate-income areas than did the Bank.

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

The distribution of loans by borrower income and business revenue was reviewed to determine the extent to which the Bank is addressing the credit needs of the area's residents and small businesses. Based on the review of the HMDA LARS and the CRA Small Business Loan Registers, the Bank has achieved an excellent penetration of loans among retail customers of different income levels and businesses of different sizes.

Home Mortgage Loans

The Bank's residential lending data reflects excellent penetration among the area's low-, moderate-, middle-, and upper-income borrowers, particularly low- and moderate-income borrowers. See Table 6 for information concerning the distribution of loans by borrower income.

Table 6 Distribution of HMDA Loans by Borrower Income (Excludes Borrowers for Which Income is Not Available)									
Loan Category	# of Bank Loans	Percent of Bank Loans				Percent of Aggregate Lending			
		Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
2009									
Home Purchase	461	19.3	35.4	11.7	33.0	8.4	25.4	26.4	38.0
Refinance	464	1.1	8.0	15.0	73.5	4.5	16.7	26.0	49.1
Home Improvement	21	0.0	0.0	14.3	85.7	8.3	20.8	25.3	42.2
Total	946	9.9	21.1	13.3	54.0	5.5	18.2	26.0	46.3
2010									
Home Purchase	460	15.2	30.9	9.8	41.3				
Refinance	292	1.4	2.7	8.6	82.5				
Home Improvement	23	0.0	0.0	13.0	87.0				
Total	775	9.6	19.3	9.4	58.2				
Grand Total	1,721	9.8	20.3	11.6	55.9				
Demographics	#	Distribution of Families							
		Low	Moderate	Middle	Upper				
Families	692,561	21.8	17.8	21.6	38.8				
<i>SOURCE: 2009 and 2010 HMDA LARS, 2009 HMDA Aggregate Data and Demographics from 2000 US Census Data</i>									

As Table 6 shows, the proportion of loans to low-income borrowers was below the percentage of low-income families in the assessment area. This is expected as this proportion includes families below the poverty level. However, the volume of lending to low-income borrowers, especially in the home purchase category, was excellent compared to aggregate data. The percentage of lending to moderate-income borrowers exceeded the percentage of moderate-income families in the area. The Bank had a very strong penetration in the home purchase category to these borrowers.

The 2009 HMDA aggregate lending data in Table 6 was used for comparison purposes. The data shows that Boston Private's distribution of loans to low- and moderate- income borrowers exceeded that of the aggregate. Specifically, the aggregate placed 23.7 percent of its home mortgage loans to low- and moderate-income borrowers. The Bank placed 31.0 percent of its home mortgage loans to low- and moderate-income borrowers. Especially notable is Boston Private's lending to low- and moderate-income borrowers for home purchase financing where the Bank's proportion of lending to these borrowers far exceeded the aggregate at 54.7 percent to 33.8 percent.

In 2010, the distribution of the home loans among the borrower income categories remains positive compared to the area's demographics. Although there was a slight decrease in lending to low- and moderate-income borrowers, the Bank's performance was still considered strong considering the extent of the economic deterioration that has occurred during this time period.

Several factors contribute to the Bank's success in originating loans to borrowers of low- and moderate-income. First, the Bank is effectively using soft second mortgage loan programs to assist applicants in obtaining homeownership. Boston Private Bank & Trust Company has been consistently ranked the number one soft second mortgage lender in Boston and is among the top five lenders in Massachusetts overall. Second, the Bank originates loans utilizing MassHousing loan programs. MassHousing offers a number of different loan programs tailored for low- and moderate-income borrowers which feature low interest rates and flexible underwriting standards. Third, the Bank made extensive use of equity builder funds from the Federal Home Loan Bank of Boston (FHLBB) to assist low- and moderate-income borrowers in purchasing a home. The equity builder funds provide borrowers with downpayment and closing cost assistance to help consumers who might not otherwise qualify for financing to obtain a home. Fourth, the Bank maintains relationships with important community development organizations that develop affordable housing and provide services to first-time homebuyers. These positive working relationships have proven effective in reaching low- and moderate-income homebuyers.

Small Business Loans

The Bank has a good penetration in small business loans to businesses of different sizes. Refer to Table 7 for information concerning the distribution of small business loans by revenue.

Table 7								
Distribution of Small Business Loans to Business with Revenues under \$1 million								
Year	Bank Loans				Percent of Aggregate Lending			
	#	%	\$ (000)	%	#	%	\$ (000)	%
2009	82	31.1	16,003	22.1	12,161	24.6	489,299	26.3
2010	61	36.3	11,756	22.7				
Grand Total	143	33.1	27,768	22.3				
Demographics	#	Business Revenue Size						
		Under \$1 million	Over \$1 million	Not Reported				
Businesses	272,128	73.7	6.0	20.3				
SOURCE: 2009 and 2010 CRA Small Business Loan Registers, 2009 Peer Small Business Data and 2009 Business Geodemographic Data								

As shown in Table 7, the Bank originated 143 small business loans (33.1 percent) to businesses with gross annual revenues (GARs) of \$1 million or less. This percentage of loans is much lower than the percentage of businesses in that revenue category; however, aggregate lending data for 2009 was used for small business lending comparison purposes. The data showed that the aggregate placed approximately 24.6 percent of its small business loans to businesses with GARs under \$1 million or less. This percentage was lower than that of Boston Private.

In 2010, the percentage of loans to businesses with revenues under \$1 million increased slightly and remains below the percentage of businesses in that revenue category. There is no aggregate data available for comparison purposes.

The Bank has a good penetration of small business loans by loan size. Refer to Table 8 for specific information concerning distribution of small business loans by loan amount.

Table 8 Distribution of Business Loans by Loan Size (All loans \$1 million or less)								
Loan Size	Bank Loans				Aggregate Lending			
	#	%	\$ (000's)	%	#	%	\$ (000's)	%
2009								
Less than \$100,000	87	32.9	5,370	7.4	46,086	93.1	522,403	28.0
\$100,000 - \$250,000	81	30.7	15,451	21.3	1,557	3.1	283,629	15.2
Over \$250,000	96	36.4	51,758	71.3	1,875	3.8	1,059,059	56.8
Total	264	100.0	72,579	100.0	49,518	100.0	1,865,091	100.0
2010								
Less than \$100,000	51	30.4	3,061	5.9				
\$100,000 - \$250,000	42	25.0	7,956	15.3				
Over \$250,000	75	44.6	40,856	78.8				
Total	168	100.0	51,873	100.0				
Grand Total	432	100.0	124,452	100.0				
SOURCE: 2009 and 2010 CRA Small Business Loan Registers and 2009 Peer Small Business Data								

As shown in Table 8, the Bank originated 264 small business loans during 2009. Approximately 33 percent of the loans were originated in amounts less than \$100,000. Demand for loans of smaller dollar amounts is typically higher among the area's smaller businesses. As shown above, Boston Private's percentage of loans under \$100,000 is helping to meet that demand. In 2010, the distribution of small business loans by loan amount was slightly lower but the Bank continues to originate a high percentage of its loans in amounts under \$100,000.

While it is acknowledged that the aggregate percentage is significantly higher than the Bank's, with respect to loans under \$100,000, the following must be considered. The aggregate data includes the dominant small business lenders such as American Express, GE Money, CitiBank USA, and Chase. These institutions originate numerous loans in very small dollar amounts through their respective small business credit card programs. This credit card activity has the tendency to skew the aggregate data. In fact, this is the case here, as these four reporters reflect an average loan size of less than \$10,000. Boston Private's average loan size to small businesses within the assessment area was \$78,578 in 2009 with a market share of 3.1 by dollar amount. The data demonstrates the Bank's support of small businesses located within its assessment area and its performance relative to this component is considered good; however, the declining trend in 2010 indicates that the Bank may want to assess its lending volume goals.

Community Development Lending

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area.

Boston Private Bank & Trust Company is a leader in originating community development loans. During the evaluation period, the Bank originated 93 community development loans totaling \$229.4 million. During the previous CRA evaluation period, the Bank originated 43 community development loans totaling \$86.4 million. Refer to Table 9 for a summary of the community development lending.

Table 9 Community Development Loans								
Community Development Category	2008		2009		2010		YTD 2011	
	#	\$	#	\$	#	\$	#	\$
Affordable Housing for Low- and Moderate-Income	5	6,539,805	8	15,332,125	9	75,655,500	1	10,000,000
Community Services for Low- and Moderate-Income	10	8,938,145	14	3,289,550	13	8,164,154	4	10,810,046
Promote Economic Development through Small Business Financing	5	5,420,000	7	20,580,000	8	45,376,500	3	8,149,410
Revitalize Low- and Moderate Income Census Tracts	2	7,100,000	3	867,000	1	3,200,000	0	
Total	22	27,997,950	32	40,068,675	31	132,396,154	8	28,959,456
SOURCE: Internal bank records								

The following are examples of significant community development projects funded by the Bank:

- In 2011, the Bank extended a \$10 million loan to a charter school in Lynn serving students from low-income families. Financing also involved New Markets Tax Credits.
- In 2011, Boston Private participated in a \$10 million loan for construction and bridge financing for a 75-unit rental housing development for low- and moderate-income people.
- In 2010, the Bank extended over \$50 million in a tax exempt bond for the rehabilitation and construction of public housing developments in the City of Cambridge. These affordable housing projects will benefit the area's low- and moderate-income residents.
- In 2009, Boston Private provided \$14.5 million in new construction financing for the purpose of economic development/revitalization of a retail plaza on a property with an abandoned and dilapidated mill building. This financing directly helped revitalize the neighborhood and created 300 permanent jobs during a severe recession.

The Bank originated six additional community development purpose loans totaling approximately \$2.9 million inside the assessment area. The loans provided funds for community development organizations and for affordable housing. These loans were reported as HMDA loans or CRA small business loans and received credit elsewhere in this evaluation. However, the volume of lending is mentioned here as the loans have nonetheless served a valuable community development purpose.

The Bank originated seven additional community development purpose loans totaling approximately \$32 million outside of its assessment area. These loans included three SBA 504 loans, two Chapter 40(B) housing project loans, a line of credit for a charter school serving primarily low- and moderate-income students, and a residential real estate loan to house mentally handicapped individuals. Although the loans were originated outside the assessment area, the loans are mentioned here in recognition of the Bank's support of community development initiatives within Eastern Massachusetts.

Innovative or Flexible Lending Products

Boston Private makes extensive use of innovative and/or flexible lending practices in order to serve the assessment area's credit needs. The Bank offers various special mortgage loan programs tailored to assist either lower-income people or first-time homebuyers in pursuing or maintaining home ownership. Additionally, the Bank offers several loan products tailored towards small businesses. The small business products represent in-house programs and those offered through the Small Business Administration (SBA). Loans originated under these programs were reported on the Bank's HMDA LARs and CRA Small Business Loan Registers and already received credit in the Lending Test. The programs are described here in order to highlight the innovative and flexible underwriting standards employed in the origination of loans to low- and moderate-income people and to businesses of different sizes.

Home Mortgage Loans

- *Soft Second Homeownership Loan Program:* Boston Private Bank & Trust Company works in conjunction with local government agencies, the Massachusetts Housing Partnership, the Massachusetts Affordable Housing Alliance, and the Commonwealth of Massachusetts to make below-market financing available to borrowers earning less than 100 percent of the area median income based on household size. Under the program, the Bank offers long-term, fixed-rate, reduced cost mortgages and uses flexible underwriting standards. No private mortgage insurance is required. Buyers who qualify must attend approved homebuyer education training and participate in foreclosure prevention programs. Local government agencies provide additional financial support to the borrower. The Bank has been the top lender for soft second mortgages in Boston throughout the CRA evaluation period.
- *Equity Builder Program:* The Bank uses funding from the FHLBB to provide "soft" subordinate mortgages to assist homebuyers with incomes of less than 80 percent of the area median income based on household size. The loans are offered in conjunction with senior mortgages from the Bank. Under the program, the Bank offers up to \$15,000 at zero percent interest. Repayment of the loan is required only if the homebuyer sells, refinances, or otherwise transfers ownership of the property, or the home is foreclosed upon within five years of closing. After five years, the loan is forgiven.
- *MassHousing:* Boston Private Bank & Trust originates loans through the MassHousing loan programs. MassHousing is a quasi-public state agency whose mission is to increase the State's supply of affordable housing. The Bank originated 431 MassHousing program loans totaling over \$83 million during the CRA evaluation period. Listed below are the programs in which the Bank is involved.
 - *MassHousing Mortgage Program:* The Bank participates in the MassHousing Mortgage program which provides financing to first-time homebuyers who meet their income guidelines. Homebuyers who qualify are eligible for long-term, fixed-rate mortgages. Flexible underwriting standards are used. Private mortgage insurance is required for all loans in excess of 80 percent loan to value. The Bank will pay the private mortgage insurance for eligible borrowers. Buyers must attend approved homebuyer education training.
 - *MassHousing My Community Mortgage Program:* The Bank works with MassHousing to provide low or no downpayment loans to first-time buyers and other eligible homeowners through Fannie Mae's My Community Mortgage Program. Lower interest rates and flexible underwriting guidelines are provided to first-time homebuyers or homeowners who earn up to 135 percent of the median income.

Private mortgage insurance is required. Buyers must attend approved homebuyer education training.

- *MassHousing Home Saver Program:* The Bank offers loans through this program designed to assist homeowners at risk of losing their homes because they have high interest, variable rate loans. The fixed interest rate loan allows homeowners to refinance using flexible underwriting standards, a lower rate, and no private mortgage insurance. The loan program permits financing of up to 105 percent of the home's value. Homeowners may not be 90 days delinquent at closing and minimum credit scores apply. Counseling through Neighborworks is also required.
- *Community Homeowner Flexible Mortgage Program:* Boston Private Bank & Trust offers a no points option under this program at very competitive rates. The Bank allows a 3 percent down payment on a single family or condominium, a 5 percent down payment on a two-family, and a 5 percent down payment on a three-family home. Private mortgage insurance is required for loans in excess of 80 percent of the home's value. No data concerning the volume of originations during the CRA evaluation period was available for this program.
- *Boston Home Keepers Refinance Program:* Boston Private works with the City of Boston Department of Neighborhood Development on its Foreclosure Prevention Initiative and was designated in 2006 as a "First Choice Lender" by Mayor Thomas Menino. The Bank provides mortgage financing using flexible underwriting criteria and works with Boston's Home Center and nonprofit homeowner counseling agencies to help victims of predatory lending. The initial rate is fixed at a low rate for ten years and then adjusts annually by a maximum of 2 percent with a lifetime cap of 6 percent. Income and credit score guidelines apply. Private mortgage insurance is required for loans in excess of 80 percent of the home's value. The Bank has originated few loans under this program due to current market conditions and the limited number of qualified applicants.
- *Municipal Community Partner Programs:* Boston Private works with many cities and towns to offer downpayment and closing cost assistance to low- and moderate-income, first-time home buyers. Some of the partner cities and towns include: Arlington, Boston, Braintree, Brookline, Cambridge, Chelsea, Everett, Lowell, Malden, Medford, Melrose, Newton, Quincy, Randolph, Revere, Watertown, Weymouth, and Winthrop. The Bank provides mortgage financing with reduced closing costs through the program. Boston Private has originated few loans under this program due to current market conditions and the availability of other competitively-priced loan products at the Bank such as the soft second mortgage program.

Small Business Loans

- *Small Business Administration (SBA):* Boston Private has been designated an express lender for the SBA. The Bank originated a high number of SBA loans during the evaluation period through the 7(a) and 504 loan programs.
- *Massachusetts Banking Partners Small Business Loan Program:* Boston Private participates in this small business loan sponsored by the Commonwealth of Massachusetts, the Massachusetts Community & Banking Council, and the Massachusetts Small Business Assistance Advisory Council. The program was designed to improve access to bank financing for very small businesses that are receiving assistance from a non-profit technical assistance provider. The Bank's CRA Officer helped design the program which was modeled after the Bank's own Community Partners Small Business Loan Program.

INVESTMENT TEST

The Investment Test evaluates the Bank's record of meeting the assessment area's credit and economic development needs through its qualified investments. A qualified investment for the purpose of this CRA evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives. Boston Private is rated "Outstanding" under this test.

COMMUNITY DEVELOPMENT INVESTMENTS

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. In recognition of the many legal limitations on bank investments and the long-term nature and complexity of many community development investments, the CRA regulation allows some reasonable consideration for the entire bank portfolio of qualified investments; not just those made since the previous CRA examination. The following describes the institution's qualified investments.

Qualified Investments

During the examination period, the Bank demonstrated an excellent level of investments in affordable housing programs, economic development programs and organizations that meet a range of community development needs, particularly for the low- or moderate-income residents of its assessment area. The Bank's new qualified investments totaled approximately \$230 million for the examination period. This total includes new equity investments in affordable housing, small businesses, and community development grants. Retained investments from prior commitments totaled almost \$22 million. Detailed below are the qualified investments provided by the institution

Affordable Housing

Massachusetts Housing Investment Corporation (MHIC)

MHIC is a non-profit corporation created in 1900 by institutions in Massachusetts to help expand the financing of affordable housing in low- or moderate-income communities throughout the State. Part of the project financing is derived from the sale of limited partnership interests in projects eligible for low-income housing tax credits. The equity investments are made through the Massachusetts Housing Equity Fund under Massachusetts Housing Equity Fund Inc. (MHEF), an MHIC subsidiary. MHEF is the general partner and individual financial institutions in Massachusetts serve as limited partners. Each limited partner purchases investment units in the partnership and enters into an installment agreement obligating the limited partner to pay the unit commitment to the partnership, usually over an eight-year period. In return, the partnership invests the funds in various low-income housing improvement projects to derive tax benefits for the partners.

During the exam, the Bank invested \$1 million in the MHEF XVIII of MHIC. The Bank's prior investments in five MHEF funds total \$4.15 million. As of March 31, 2011 the book value of MHEF investments total \$951,604. Refer to the following table for details on MHEF activity.

Partnership Fund	Investment Amount/Equity Equivalent Allocation	2008 Net Book Value/Equity Equivalent Allocation	2009 Net Book Value/Equity Equivalent Allocation	2010 Net Book Value/Equity Equivalent Allocation	Q1 2011 Net Book Value/Equity Equivalent Allocation
MHEF 1996*	\$710,000	\$0	\$0	\$0	\$0
MHEF 1997*	\$710,000	\$7,090	\$2,167	\$0	\$0
MHEF 1999	\$710,000	\$111,732	\$46,732	\$432	\$323
MHEF 2002	\$1,020,000	\$507,109	\$407,314	\$307,519	\$282,570
MHEF XIII	\$1,000,000	\$809,224	\$767,633	\$672,543	\$648,711
MHEF XVIII	\$1,000,000	-	-	-	\$20,000
MHIC 2001	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
MHIC New Markets Fund I	\$1,000,000	\$251,270	\$133,772	\$16,274	\$12,205
MHIC New Markets Fund II	\$500,000	\$217,008	\$158,045	\$98,455	\$83,557
MHIC LLC Loan Pool	\$300,000	\$336,447	\$301,119	\$452,897	\$365,788
*These assets were fully amortized during the CRA exam period. They continue to be reflected in the CRA portfolio because the Bank remains an investor, continues to receive reporting, monitor performance, and bear ongoing risk associated with the operation of the low-income housing developments owned by the fund through year 15, even after the investments are fully amortized.					

Through participation in these funds, the Bank has specified that investments be limited to partnerships whose investments will be targeted to the Boston Metropolitan area.

Ginnie Mae (GNMA) Bonds

During the examination period, Boston Private made \$227 million in GNMA Bond purchases. This investment provides capital to the national housing market to help make affordable housing a reality for low- and moderate-income households. GNMA guarantees investor's principal and interest on loans insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs.

Retained Affordable Housing Investments

The following investments, which are still outstanding, were considered at the last examination.

MHIC New Markets Fund (NMTC)

Boston Private has a combined investment of \$1.5 million across two of the MHIC New Market Tax Credit Funds. MHIC's NMTC fund has the following objectives:

- About 45 percent will be targeted to a variety of office, retail, mixed-use, warehouse and light industrial space;
- About 25 percent will be targeted to service and community centers to address neighborhood needs such as health, education, employment training, recreation and after-school and youth development programs;

- About 20 percent will be targeted to theaters and cultural facilities. In addition to performance and exhibition spaces, several projects also will have arts-related office space and restaurant/café space.
- About 10 percent will be targeted to mixed use projects with retail/commercial space and residential apartments.

These properties will improve the level and availability of consumer choices and services, pay taxes, serve as magnets of growth in the host communities and generate construction jobs and create or retain permanent jobs through the expansion of existing businesses and the development of new businesses. The projects are located in Massachusetts in low-income communities with unemployment rates 1.5 times the U.S. average or greater.

MHIC, LLC

This was originally a loan pool established by MHIC in 1990 to fund loans in accordance with MHIC's Loan Policy. Under MHIC's written Loan Policy, projects will be eligible to receive loan pool financing if they meet at least one of the following criteria:

1. At least 20 percent of the units in the property are affordable to low-income households; or
2. The property is located in a target investment area; or
3. The property serves demonstrable unmet housing need that would not be expected to otherwise be met.

In 2001, this loan pool was converted into a limited liability company structure which gives more flexibility to keep pace with evolving conditions, markets, opportunities and challenges. As of March 31, 2010, Boston Private's \$300,000 investment represented 1.03 percent of the total capital, which was approximately \$29.3 million.

Limited Partnerships

Boston Private has fully funded some of its affordable housing equity investments in which the institution still carries these funded commitments on its books. As of March 31, 2011, the book value of these investments totaled \$918,243.

Economic Development / Small Business Investments

Massachusetts Historic Rehabilitation Tax Credits (MHRTC)

Under the MHRTC program a certified rehabilitation project on an income-producing property is eligible to receive up to 20 percent of the cost of certified rehabilitation expenditures in state tax credits. There is an annual cap, so the selection criterion ensures that the funds are distributed to the projects that provide the most public benefit. The Bank purchased MHRTC associated with three projects during the examination period and has made a commitment to a fourth. The following is a description of these projects:

1. Worcester Center for the Performing Arts - In 2008, Boston Private purchased \$400,000 of MHRTC associated with the redevelopment of a former theater building into the Worcester Center for the Performing Arts. The development is aimed toward helping to spur the economic revitalization of downtown Worcester. The theater has generated 35 full time positions with an expectation to generate an additional 40-80 jobs in the community from the surrounding low-income communities

2. Girls, Inc. - Boston Private purchased \$800,000 of MHRTC associated with the redevelopment of a former high school into office and program space for Girls, Inc., of Lynn, MA. Girls, Inc. offers after school educational and empowerment programs for low- and moderate-income girls.
3. Jamaica Plain Neighborhood Development Corporation (JPNDC) - Boston Private has purchased \$700,000 of MHRTC associated with the redevelopment of the JPNDC Brewery Small Business Center. The JPNDC purchased the former Haffenreffer Brewery, a five-acre, 16 building, 150,000 square foot complex in 1983. The JPNDC has carried out the renovation of the property to promote economic development in this moderate-income neighborhood. The complex now houses approximately 50 small business and non-profit tenants that employ approximately 250 people.
4. Neighborhood Of Affordable Housing (NOAH) – In 2011, Boston Private signed an \$113,000 commitment to purchase MHRTC from NOAH associated with the redevelopment of a single room occupancy residence for formerly homeless men in East Boston. NOAH partnered with the Pine Street Inn to provide supportive services to help the residents to remain stable and avoid a return to homelessness.

Small Business Development Investments

Jewish Vocational Service (JVS) - Boston Private invested a combined \$20,000 with JVS to capitalize an innovative “patient capital” fund to support immigrant entrepreneurs. JVS received a grant from the U.S. Office of Refugee Resettlement funded through the Economic Stimulus bill, with the Bank’s support, to assist new immigrants to start businesses to help them toward economic self sufficiency. The Bank worked with JVS to newly create the innovative fund for more businesses to support federal Economic Stimulus grant funding. JVS will use the fund to make equity-like investments in the new businesses, some of them in conjunction with Bank financing.

Lowell Small Business Assistance Center - Boston Private invested \$10,000 to help capitalize the Center’s new micro-loan fund targeted to low- and moderate-income small business clients who lack access to conventional credit but who have the capacity to achieve small business ownership. The Center recently received a U.S. Small Business Administration (SBA) Program for Investment in Microentrepreneurs (PRIME) grant to develop the infrastructure necessary to support the operation of a micro-loan fund. The Center serves the small business needs of entrepreneurs from ethnically and economically diverse groups, including a significant immigrant population, in Lowell and surrounding communities.

Retained Economic Development/ Small Business Investments

Qualified Zone Academy Bond (QZAB)

QZABs are bonds allocated to states by Congress to finance the renovation of school facilities and are designed to encourage collaboration between private businesses and educational institutions. These educational institutions primarily serve students from low- and moderate-income families. As of March 31, 2011, the Bank maintains three QZAB investments for a combined book value of \$16.7 million.

Limited Partnerships

Boston Private has fully funded some of its economic development and small business equity investments in which the institution still carries these funded commitments on its books. As of March 31, 2011, the book value of these investments totaled approximately \$1.5 million.

Community Development Grants and Donations

Boston Private has provided grants to various organizations that provide community services as defined by the regulation or have instituted programs targeting low- or moderate-income persons or geographies. Such qualifying services include community-based childcare, healthcare, education, and social services. During the review period, Boston Private provided \$1.2 million in qualified grants and donations to numerous organizations. Refer to Table 10 for a summary of the grant activity.

Table 10 - Community Development Grants								
Qualified Purpose	2008		2009		2010		2011	
	#	\$	#	\$	#	\$	#	\$
Affordable Housing	59	160,325	66	150,013	59	153,300	16	32,600
Community Services	85	132,525	93	129,560	87	117,600	40	50,150
Promote Economic Development	24	52,795	30	61,650	31	55,800	17	28,100
Revitalization	21	23,800	14	18,550	13	28,763	8	16,135
Total	189	369,445	203	359,773	190	355,463	81	126,985

Listed and described below is a sample of significant cash grants made by the Bank.

- *Allston Brighton Community Development Center*: The Bank made three separate donations totaling \$25,000 over the course of 2008, 2009, and 2010, to this non-profit community development corporation (CDC). The CDC focuses on initiatives such as affordable housing, financial literacy training, homeownership counseling, and the creation of open space.
- *Casa Esperanza*: The Bank made four separate donations totaling \$25,000 over the course of 2008, 2009, 2010, and 2011, to this non-profit social service organization. Casa Esperanza's mission is to help men, women and families overcome homelessness, recover from alcoholism and drug addiction, and gain the skills needed to be self-sufficient. The majority of the program recipients are low- or moderate-income. The Bank also assisted this organization in obtaining grants from the FHLBB.
- *Dudley Square Main Streets (DSMS)*: The Bank made three separate donations totaling \$20,995 over the course of 2008, 2009, and 2010, to this non-profit community development organization. DSMS is working to revitalize Dudley Square, the low-income commercial district in the Roxbury neighborhood of Boston. The Bank also supported this organization by becoming a corporate sponsor.
- *Friends of the Children*: The Bank made four separate donations totaling \$40,000 over the course of 2008, 2009, 2010, and 2011, to this non-profit social service organization. Friends of the Children is a mentoring organization committed to supporting, developing and fostering high academic achievement and strong character development of children from at-risk and underserved communities to avoid cycles of poverty, abuse or violence and become successful members of society. The majority of the students are low- or moderate-income.

- *Hyde/ Jackson Square Main Streets (HJSMS)*: The Bank made four separate donations totaling \$21,300 over the course of 2008, 2009, 2010, and 2011 to this non-profit community development organization. HJSMS is working to revitalize Hyde/ Jackson Square, the low-income commercial district of Jamaica Plain.

SERVICE TEST

The Service Test evaluates a bank's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of a bank's system for delivering retail banking services and the extent and innovativeness of its community development services. Consideration is given to the following: (1) accessibility of delivery systems, (2) changes in branch locations, (3) reasonableness of business hours and services in meeting assessment area needs, and (4) any community development services. Boston Private's service activities are "Outstanding."

The Bank's systems for delivering retail-banking services are accessible to geographies and individuals of different income levels within its assessment area. The Bank's low-cost checking and saving account, as well as the convenience of its automated telephone banking service, customer service center, and website, are tailored to the convenience and needs of its assessment area.

Officers and employees of the Bank of have provided a high level of service activity in response to community needs. Retail banking services and products offer consumers flexibility and convenience. In addition, officers and employees of the Bank provide an excellent level of involvement in community organizations located throughout its assessment area. The Bank is considered a leader with respect to its community development service involvement. The following details the institution's services.

Retail Banking Services

Distribution of Branches

Delivery systems are accessible to essentially all portions of the assessment area. Although the branch network is somewhat limited given the size of the assessment area, alternative delivery systems allow access to banking facilities.

Boston Private Bank & Trust Company is headquartered at Ten Post Office Square in Boston and operates ten banking offices in the assessment area. The Bank maintains three banking offices in Boston (including the main office) and one office each in the communities of Beverly, Brookline, Cambridge, Hingham, Lexington, Newton, and Wellesley. Automated Teller Machines (ATMs) are available at each of the banking offices. In addition, the Bank operates seven remote ATMs, two in Waltham and Wellesley and one each in Jamaica Plain, Cambridge, and Newton Lower Falls. Refer to table 11 for information concerning geographic distribution of branches and ATMs by census tract income.

Table 11 - Distribution of Branches and ATMs					
Census Tract Income	% of Population	Branches		ATMs	
		#	%	#	%
Low	6.5	1	10.0	1	5.9
Moderate	25.4	0	0.0	1	5.9
Middle	42.0	2	20.0	4	23.5
Upper	26.1	7	70.0	11	64.7
Total	100.0	10	100.0	17	100.0

As shown in Table 11, all but one of the Bank's full service banking offices are located in either middle- or upper-income census tracts. The Bank has no offices in the moderate-income census tracts, even though 25.4 percent of the assessment area's population resides in those areas. Although the Bank has just one office in the low-income census tracts (Cambridge), less than 10.0 percent of the population lives in the low-income census tracts. The geographic location of the ATMs is similar to that of the branch offices since many are located within a branch. The Bank operates seven remote ATMs, four in upper-income census tracts, two in middle-income census tracts, and one in a moderate-income census tract near the Jamaica Plain loan center.

Boston Private offers Online Banking for its retail customers. Customers opting for this service can view account balances and activity, pay bills, and make transfers 24 hours-a-day, seven days-a-week. The Bank also offers Online Banking for businesses. Business customers can use this service to view account balances and intraday transactions in real time and submit ACH files, wire transfer requests, tax payments and funds transfers. The Bank's Internet website, www.bostonprivatebank.com, provides visitors with specific information about the accounts and services offered, branch locations, and hours of operations.

Changes in Branch Locations

The Bank's record of opening and closing branch offices has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

The Bank opened one branch office since the prior CRA evaluation. This office was opened in an upper-income census tract in Brookline in April 2011. The Bank is scheduled to open another branch office in August 2011 within another upper-income census tract in Boston, located at the Prudential Center. The branch openings have not specifically benefited low- and moderate-income areas or persons.

Boston Private did not close any branch offices during the CRA evaluation period. Consequently, there has been no adverse impact on the availability of banking services of any income category, including low- and moderate-income.

Reasonableness of Business Hours and Services

Services and hours of operations are tailored to the needs of the assessment area, particularly low- and moderate-income geographies and/or individuals. The banking offices are open Monday through Friday from 8:30am to 4:00pm. The Headquarters is open 8:30am to 5:00pm; however, the teller window closes at 4:00pm. This compares favorably with other banks in the immediate area.

Boston Private offers a wide range of services for its retail (including low- and moderate-income), small business, and commercial customers. Boston Private Bank & Trust Company is a full-service institution offering a variety of credit, deposit, investment, and special services. Products and services are available at all office locations.

COMMUNITY DEVELOPMENT SERVICES

Boston Private Bank & Trust Company is a leader in providing community development services. A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical assistance. The following are examples of the Bank's community development products and services:

Officer Involvement in Local Community Organizations

Approximately 38 officers and employees of the Bank are involved in nearly 95 local community development and non-profit organizations in various capacities. Bank personnel serve as directors, officers, treasurers, committee members, and volunteers, and provide many services such as fundraising, public relations, finance, and administrative support. In many cases, involvement in these organizations has led to loans and grants. Listed below are notable examples of this involvement:

- The CRA officer serves on the Board of Directors of the Massachusetts Community & Banking Council (MCBC), an organization established in 1990 to encourage community investment in low- and moderate-income and minority neighborhoods. The officer serves on several committees, including the Affordable Housing Committee.
- The CRA officer serves on the Board of Directors for the Metropolitan Boston Housing Partnership (MBHP), a non-profit organization whose mission is to create and preserve affordable housing and economic opportunity for low-income individuals. The officer serves on the Executive Committee of the MBHP and is a member of the Real Estate Asset Management Committee and the Program Committee.
- The CRA officer was appointed by Governor Deval Patrick to serve on the Massachusetts Asset Development Commission to advise on ways to build wealth for low-income households and communities.
- The CRA officer and a CRA associate served on Boston Mayor Menino's Foreclosure Prevention Task Force which is charged with developing strategies to address escalating foreclosure rates in the City of Boston. Foreclosure rates are affecting a large percentage of the low- and moderate-income homeowners in the City.
- The CRA officer, a CRA associate, and a Senior Vice President are actively involved with the Citizens' Housing and Planning Association (CHAPA), an affordable housing advocacy group. The Senior Vice President is a member of the Board of Directors. The officers participate in several sub-committees, including the Investment Advisory Committee and the Financial Education Work Group.
- A Bank officer served as Treasurer, and as a member of the Executive Committee, and Economic Restructuring Committee of the Hyde-Jackson Square Main Street Program, an economic development initiative by merchants and local residents working cooperatively with the City of Boston to revitalize this low-income area of Jamaica Plain.
- A Bank officer serves on the Board of Directors, Finance Committee, and Development Committee for Big Sisters Association of Greater Boston, an organization that provides mentors to girls who otherwise would not have access to a positive role model. The majority of the program recipients are low- or moderate-income.

- A CRA assistant serves as co-Chair of the Board of Directors of the Codman Square Neighborhood Development Corporation, an organization dedicated to improving the quality of life for the residents of the Codman Square neighborhood of Boston; a moderate-income area. The organization's initiatives encompass real estate development, economic development, and community planning and building. The goal of the program is to revitalize and stabilize the area.

Financial Literacy Training

Boston Private partners with non-profit organizations and public agencies involved in low- and moderate-income communities to provide financial literacy education. Subjects typically covered in the training include basic banking, budgeting, and credit issues. Listed below are some examples of the financial literacy training provided.

- From 2008 to the first quarter of 2011, 20 employees taught 45 classes to elementary, middle and high school students in the Boston public schools and to various community organizations. Each of the schools involved in the training primarily serves students from low- and moderate-income families. The community organizations involved in the training offer after-school or leadership programs for low- and moderate-income students. The classes are part of a financial literacy initiative conducted in partnership with the Federal Reserve Bank of Boston, Operation Hope (a non-profit organization that promotes financial literacy), the City of Boston, and other community organizations. Topics covered during these classes included the basics of banking, and checking and savings accounts.
- In 2009, a CRA associate taught financial literacy classes at the Metropolitan Boston Housing Partnership (MBHP) to residents involved in the Family Self Sufficiency Program and Section 8 programs. The majority of the students were low- and moderate-income. The class focused on budget and credit issues and was based on the FDIC's MoneySmart curriculum.
- Between 2009 and 2010, a Community Investment Officer taught a financial literacy class for low- and moderate-income people in partnership with the JFY Networks and Urban Edge Development Corporation, based on the FDIC's Money Smart curriculum.
- Between 2008 and the first quarter 2011, a Community Investment Officer taught financial literacy classes on an on-going basis for the Compass Community College Collaborative. The Collaborative provides homeless parents with education, workforce training, essential skills development and support services that lead to self sufficiency and helps them to overcome homelessness.
- Between 2008 and 2010, a Community Investment Officer taught financial literacy classes on an on-going basis for Casa Esperanca's "Familias Unidas" program for women graduates of the Latino-focused substance abuse program. The majority of the program recipients were low- or moderate-income.

Homebuyer Counseling

The Bank's loan officers regularly collaborate with non-profit agencies in providing first-time homebuyer counseling classes. The non-profit agencies have included, for example, the Allston-Brighton CDC, Chelsea Restoration, the City of Cambridge, Massachusetts Affordable Housing Alliance, Merrimac Valley Housing Partnership, and Urban Edge. Loan officers offer

information on mortgage products, what homeowners may expect during the mortgage financing process, and budgeting. Classes are available in English and Spanish and translations into Chinese are also offered. Between 2008 and the first quarter 2011, loan officers from the Bank taught 109 seminars, reached 3,363 people, and worked with 26 organizations.

Business Seminars

The Bank participates in training sessions for small businesses on financing businesses and alternative sources of financing, and others that impact small businesses. Bank loan officers also participate on panels that provide technical assistance on banking to small businesses. Listed below are several examples of assistance provided to the area's businesses:

- The Bank regularly co-sponsors with the Dudley Square Main Street Program and Greater Grove Hall Main Street Program small business breakfasts for Dudley Square and Grove Hall business owners. The sessions included the following topics: Using Social Networking to Market Your Business, Small Business Bookkeeping and Accounting, Increasing Your Customer Base/Customer Service, and Small Business Insurance Planning.
- Between 2008 and the first quarter 2011, a Bank Officer participated as a member of the Private Sector Network of Interise, a non-profit organization that seeks to stimulate economic revitalization in low-income communities by providing small businesses with education to help them to grow. The officer participated in Interise events and advised small businesses on financing issues.
- Between 2008 and the first quarter 2011, the Bank sponsored the Women's Enterprise Initiative (WEI), a partnership of the City of Newton and the New England Women Business Owners. The Business Plan forums take place three times a year and offer the opportunity for a women entrepreneur to present her business plan for evaluation to a panel of experts and an audience of business owners and others.

Grant Writing

Boston Private staff assists local non-profit housing organizations in completing applications for funding through the FHLBB's Affordable Housing Program (AHP). The AHP offers grants and subsidized advances for affordable housing in two competitive rounds each year. Boston Private staff assisted local non-profit organizations, receiving three new awards during the CRA evaluation period. These awards total almost \$1.3 million and will help to finance the preservation or construction of 29 units of affordable housing. Completing the applications requires a significant commitment of time and expertise on the part of the Bank and approved applications require fund disbursement and monitoring by the Bank.

Boston Private staff are reviewing and monitoring 22 active FHLBB projects on a regular basis. The projects were developed under the FHLBB AHP. Bank staff monitor the projects by reviewing the developmental progress, ensuring that the loan proceeds are used as intended, verifying continued eligibility of the occupants, and conducting annual compliance audits.

Other Community Service Highlights

The following represent other miscellaneous community development services and products offered by Boston Private Bank & Trust Company:

- The Bank is a corporate sponsor for two Main Streets programs, the Hyde-Jackson Main Street Program and the Dudley Square Main Street Program. The Main Streets programs are economic development initiatives by merchants and local residents working cooperatively with the City of Boston. In addition to grant support, bank staff serve on boards and committees for the groups, volunteer at fund raising and community events, and host small business networking and training events.
- Boston Private supports the work of the Earned Income Tax Credit Coalition (“the Coalition”) of the City of Boston. The Coalition provides no-cost tax preparation assistance and financial literacy education to low- and moderate-income households. The Coalition also assists eligible households to obtain the Earned Income Tax Credit (EITC). Boston Private is a participating bank that has agreed to cash the EITC checks regardless of whether an account relationship is maintained.
- The Bank conducts its Social Investing Series as a means to increase its involvement in the community. The Bank regularly hosts seminars co-sponsored by with the Lawyers Clearinghouse to enhance the ability of nonprofit organizations to serve low- and moderate-income populations. Seminars have included foreclosure prevention training, non-profit management recommendations, and use of tax credits for affordable housing and job creation developments. As well, the Bank hosts breakfast “Friend Raiser” forums on behalf of the nonprofit organizations to highlight their community work. The Bank conducted approximately 37 such meetings during the CRA evaluation period.
- Boston Private administers a Community Partner Outreach program as a means to obtain a more in depth understanding of the community development and credit needs of the local area. The CEO and the CRA Officer regularly meet with non-profit organizations to learn more about the programs offered by the organizations, to offer technical expertise, and to make the groups aware of services available at the Bank. The meetings are used as a means of enhancing the Bank’s profile in the community and generating potential new business opportunities. The Bank conducted approximately 18 such meetings during the CRA evaluation period.
- The Equity Builder Program (EBP) is a program FHLBB has made available to member banks on a competitive basis to help low- and moderate-income homebuyers purchase homes. Between 2008 and 2010, the Bank was awarded \$406,597. This money was used to help 60 homebuyers with down payment and closing cost assistance—costs that are a major obstacle to many people trying to purchase a home in the current high cost housing market.
- Boston Private is a member of SUM[®], an alliance between many community banks that have agreed not to assess ATM surcharge fees to any of the other member bank’s customers. This service is of particular benefit to low- and moderate-income consumers.
- The Bank participates in MCBC’s Basic Banking in Massachusetts program. This statewide program is designed to offer low cost checking and savings accounts to low- and moderate-income individuals.

- The Bank administers an Interest of Lawyer's Trust Accounts (IOLTA) program. Interest earned on the applicable accounts is turned over the Massachusetts IOLTA Program. Proceeds are used to provide low income people with a variety of services, including education and legal services. During the CRA evaluation period, total interest earned on all the accounts was \$391,392.
- Boston Private assists local government and non-profit agencies by permitting the use of the Bank's conference rooms for board meetings, seminars, strategic planning sessions, and other gatherings. The space has been provided on a case-by-case basis free of charge to groups with a demonstrated need. Benefiting organizations have included, for example, Boston EITC Coalition, Commonwealth Housing Task Force, and MCBC. During the CRA evaluation period, the Bank has provided over 400 hours of use of their facilities to 35 different organizations.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Boston Private Bank & Trust's compliance with the federal fair lending regulations was reviewed. No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A

Scope of Examination Table		
TIME PERIOD REVIEWED	February 5, 2008 to June 6, 2011	
FINANCIAL INSTITUTION Boston Private Bank & Trust Company Boston, Massachusetts		PRODUCTS REVIEWED Residential, Small Business, and community development loans. Investments and services.
AFFILIATE (S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
Boston Private Financial Holdings, Inc.	Holding Company (HC)	None
Borel Private Bank & Trust Company, A Division of Boston Private Bank & Trust Company	HC Subsidiary (wholly-owned)	None
Anchor Russel Capital Advisors, LLC	HC Subsidiary (majority interest)	None
Anchor Capital Advisors, LLC	HC Subsidiary (majority interest)	None
Bingham, Osborn & Scarborough, LLC	HC Subsidiary (majority interest)	None
Davidson Trust Company	HC Subsidiary (majority interest)	None
KLS Professional Advisors Group, LLC	HC Subsidiary (majority interest)	None
Dalton, Greiner, Hartman, Maher & Co., LLC	HC Subsidiary (majority interest)	None

APPENDIX B

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the "revitalize or stabilize" definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

APPENDIX C

DIVISION OF BANKS *Fair Lending Policies and Procedures*

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

A review of the Bank's public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. For the period reviewed, the Bank received a total of 319 HMDA reportable mortgage applications from racial minority groups within its assessment area.

Refer to the following table for further details.

Minority Application Flow								
Race	Boston Private 2009		2009 Aggregate Data		Boston Private 2010		Bank Total	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	310	0.1	1	0.1	1	0.1
<i>Asian</i>	88	7.5	13,721	6.0	78	7.6	166	7.6
<i>Black/ African American</i>	62	5.3	5,359	2.4	53	5.2	115	5.3
<i>Hawaiian/Pacific Islander</i>	3	0.3	327	0.1	0	0.0	3	0.1
<i>2 or more Minority</i>	0	0.0	108	0.1	1	0.1	1	0.0
<i>Joint Race (White/Minority)</i>	16	1.4	2,752	1.2	17	1.7	33	1.5
Total Minority	169	14.4	22,577	9.9	150	14.7	319	14.6
<i>White</i>	812	69.3	146,884	64.7	777	76.2	1,589	72.6
<i>Race Not Available</i>	189	16.2	57,612	25.4	93	9.1	282	12.9
Total	1,170	100.0	227,073	100.0	1,020	100.0	2,190	100.0
Ethnicity								
<i>Hispanic (Hisp) or Latino (Lat)</i>	39	3.3	5,229	2.3	50	4.9	89	4.1
<i>Not Hispanic or Latino</i>	937	80.1	161,964	71.3	870	85.3	1,807	82.5
<i>Joint (Hisp./Lat./Not Hisp./Lat.)</i>	7	0.6	1,711	0.8	8	0.8	15	0.7
<i>Ethnicity Not Available</i>	187	16.0	58,169	25.6	92	9.0	279	12.7
Total	1,170	100.0	227,073	100.0	1,020	100.0	2,190	100.0

The Bank's minority application flow for this period was compared with the racial and ethnic composition of the assessment area and the 2009 aggregate data for all other HMDA reporters within the assessment area. The comparison of these data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. As the table shows, the level of applications the Bank received from minority groups in the assessment area met or was above the minority applications received by the aggregate market.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 10 Post Office Square, Boston, MA 02109."
- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.